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SUBJECT: NINEWA-SALAH AD DIN BORDER AREA DEPRESSED BUT HAS POTENTIAL

REF: BAGHDAD 2052

¶1. (U) This is a Ninewa Provincial Reconstruction Team (PRT) message, in cooperation with the Salah ad Din PRT.

Summary

¶2. (SBU) Southern Nineva Province and the Sharqat district in northern Salah ad Din Province suffer from lack of infrastructure investment and unemployment of at least 50 percent. This area, collectively known as the Zaab Triangle of the Tigris River Valley, would benefit from GOI infrastructure investments that provide long-term employment and create an attractive environment for private investment. The presence of three potentially major industrial facilities (a sulfur plant in need of refurbishment, an unfinished electrical generation station and a currently producing oil refinery) represents a solid economic base. The location of the region along the main road from Baghdad to Mosul on the banks of the Tigris favors industrial, transportation and agricultural development. The PRT is working with willing local leaders to harness the region's multiple economic benefits and collectively improve energy, water and transportation development across tribal and sectarian lines. National investment in the region's infrastructure and naturally profitable service- and construction-oriented industries would help set up the region for long-term growth.

Depressed Zaab Triangle Has Potential

¶3. (SBU) PRT Nineva's southern Branch Office, out of Forward Operating Base QWest, covers the southernmost part of Nineva and, in collaboration with Salah ad Din PRT, the northernmost Salah ad Din district of Sharqat, including areas on both the eastern and western sides of the Tigris River. Most of the region's inhabitants on the western side of the Tigris are Sunni Bedouin, while the majority in Nineva's Makhmour district on the eastern side of the river are Kurdish. The entire region suffers from dilapidated transportation and energy infrastructure exacerbated by slow and inefficient budget execution. The security situation has improved over the past year although terrorist and criminal activities still disrupt daily life.

¶4. (SBU) Major industries are the Mishraq Sulfur Plant, destroyed by fire in 2003 (reftel), the Al Shemal thermal electrical generation plant, unfinished and paying storage fees in the United Kingdom for Rolls-Royce generators purchased fifteen years ago, and the Qayyarah Refinery, which produces asphalt from the heavy crude oil found in the region and has recently added another line to produce benzene. These state-owned facilities represent the potential for a strong economic base should they be repaired, restored,

finished and brought to full production. On the northern margins of this region, the Hammam al Alil cement plant, 15 miles south of Mosul, profitably churns out cement for the booming central and eastern Nineva construction industry.

¶ 5. (SBU) Beyond the state-owned factories, the province's economic activity currently depends on central government financing of capital projects. Local officials complain about inefficiency in this budget execution process, citing delays in repairs to several Tigris bridges that are needed to boost intra-regional commerce. Because budgets rarely include funding or expertise for operations and maintenance, the little capital investment that does occur quickly decays, as seen in a broken-down water station that left 50,000 Sharqat residents without full water supply.

¶ 6. (SBU) There is currently little legitimate private sector activity with growth potential in this area. Private sector economic activity has consisted mostly of involvement in stolen fuel marketing and transportation. Decrepit infrastructure, continued security concerns and the lack of a fully functioning banking system discourage local and international investment. Current construction industry activity in Zaab Triangle is limited to private houses for the well-off, with the shortage of credit or GOI investment hindering both small and medium-sized business development.

¶ 7. (SBU) Like the rest of northern Iraq, the lengthy drought has reduced agricultural productivity to - at best - a low subsistence level. While the current level of agricultural production does not support agricultural processing, the area would be ideally suited to use its strategic location,

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available water and potential power to process profitably local agricultural products. Improved irrigation would help resolve some of the drought-induced issues and provide a local demand for grain processing. Grain from local silos is currently sent to Erbil for grinding.

¶ 8. (SBU) The recent GOI attention on Mosul - mainly through Prime Minister al Maliki's special advisor Zuhair Chalabi - has led to hopefulness from local officials that investment and budget execution will improve. The GOI's promises to execute the budget more efficiently, add supplemental budget funds and focus efforts on the electric grid and infrastructure in general have encouraged the region's inhabitants to begin stockpiling construction materials and amass funds for small businesses.

Comment

¶ 9. (SBU) Two initiatives would directly assist the Zaab Triangle's economic situation: efficient distribution of Nineva and Salah ad Din provincial budget funds for infrastructure and targeted industrial rehabilitation projects. First, GOI-funded infrastructure reconstruction and maintenance projects would improve transportation and power networks, while pushing more cash into the local economy. Politically, local implementation of these infrastructure projects would dovetail with ongoing, PRT-supported municipal efforts to organize local utility districts to fill gaps in national service provision. Water management improvements and drought countermeasures, now under study by PRT, would help revive the agricultural sector and provide immediate, low-skilled employment.

¶ 10. (SBU) Second, targeted investment in the underperforming Mishraq Sulfur Plant, Al Shemal power plant and Qayyarah refinery would provide construction and maintenance jobs in the short term while setting up the region for sustainable long-term growth. The sulfur plant sits on the world's largest natural reserve of sulfur and requires only \$100 million to be fully functional (see details reftel). The Al Shemal power plant's original generation design may now be

outdated, but the existing location's shell could be exploited to bring state-of-the-art generation to the region more quickly than building a completely new plant for the ground up. An increase in dedicated power for the Qayyarah refinery would assist that plant's output of much-needed asphalt for local road reconstruction projects.

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